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# Attracting and retaining qualified employees: a not-for-profit dilemma

Karen Mulligan Gill

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Attracting and Retaining  
Qualified Employees:  
a Not-for-Profit  
Dilemma

by  
Karen Mulligan Gill

An Applied Management  
Decision Report  
submitted in partial fulfillment  
of the requirements for the degree of  
Master of Business Administration  
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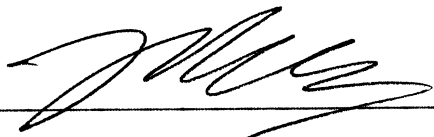
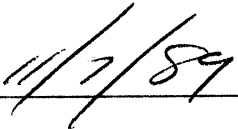
APPROVAL PAGE

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## EXECUTIVE SUMMARY

Widespread employee dissatisfaction at P.H.A.S.E., Inc. resulting from the current benefits plan, the corporation's unwillingness or inability to increase employee compensations and the corporations's current stance of limiting the employer's investment in employee benefits describe the current situation. This author believes that the combination of selected potential solutions, in addition to long range strategic planning for them, has a strong potential of solving P.H.A.S.E., Inc.'s problem of attracting and retaining qualified employees. The resolution encompasses the offering of more training sessions; yet, addresses the employee's need for autonomy in their selection. The resolution addresses both the needs of the corporation and the employee by recommending an increase in non-direct cost benefits. The recommendation includes long range planning toward implementation of a flexible benefit plan which is seen by employees as highly autonomous. Finally, the resolution includes an employee training or intern program which will address the difficulty in attracting qualified employees.

## ACKNOWLEDGMENTS

To Thomas A. Gill, partner and spouse, this author expresses great appreciation for his many months of support. In addition, this author acknowledges the valuable input from the staff of P.H.A.S.E., Inc.. Finally, this author is thankful for the motivation which resulted from the doubt voiced by many that this project would ever reach fruition.

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## SECTION I

### INTRODUCTION

In an era when there is relatively low unemployment, it becomes increasingly difficult to attract and retain qualified employees. Not-for profit social service agencies with moderate salary line budgets have historically found this to be an especially difficult task. Some not-for-profit agencies have opted to offer attractive benefits packages to compete with organizations possessing healthier personnel budgets for employees.

Recent increases in the employer's cost of purchasing attractive benefit packages have caused many organizations to increase the employees contribution to the cost of the benefit package. The increase in the employees' contribution to the benefit package without a corresponding increase in compensation has caused employees of not-for-profit agencies to state their dissatisfaction with benefit packages. From the employees' standpoint, the take home pay is decreased by the increased cost of their benefit package contribution. In addition to widespread dissatisfaction with their benefit packages, this has also caused employees to reevaluate the benefits they truly want

and need in an effort to pare down the employee contribution to the benefit package.

The changing benefit package contribution ratios have caused many organizations, both for-profit and not-for-profit, to consider offering flexible benefit plans. Flexible benefit plans would allow the employee more input into both the cost and benefits included in the selected flexible benefit package.

More clearly defined, the benefit package contribution ratios are seen by this writer as the ratios of total benefits costs that are paid by the employer and employee toward the maintenance of the benefit package. Flexible benefit plans have been varyingly defined. For the purpose of this discussion, the author intends that flexible benefit package imply that the employee chooses those benefits or level of benefits which best suit the employee's needs relative to the amount of compensation that the employee chooses to devote to benefits. However, the total cost or benefit contribution ratios for the flexible benefit package must remain within relevant ranges established by the corporation.

## SECTION II

### Organizational Description

#### The Corporation

As a not-for-profit corporation registered with the State of Illinois, P.H.A.S.E., Inc. is governed by a voluntary board of directors. The board of directors appoints an executive director who oversees the day-to-day management of the corporation. Within the corporation, there exist three major divisions which are defined by service functions. The Working Against Violent Environments (W.A.V.E.) program conducts both outpatient and residential counseling services for victims of domestic violence. The Substance Abuse Treatment (S.A.T.) program provides outpatient substance abuse treatment to victims of substance abuse addiction. The administration division, referred to internally as Management and General, serves the corporation by providing support services to the other two major divisions.

### Corporate History and Purposes

The corporation, under various other corporate names, has been in existence in Northern Illinois since 1955. The corporate name was changed to Personal Health/Abuse Service and Education (P.H.A.S.E.) eleven years ago when the corporation agreed to oversee the domestic violence division. At the same time that the corporate name was changed, the board of directors, Personal Health/Abuse Service and Education Annual Report - 1986 (1986), established new agency purposes as follows:

"To provide services aimed at reducing or eliminating drug and alcohol abuse/dependence and aimed at breaking the intergenerational cycle of family violence. To provide crisis intervention and treatment services to domestic violence victims and those who are chemically dependent. To identify the unique needs of persons involved in family violence and/or chemical dependence. To inform and educate the community about the problems of domestic violence and chemical dependence." (p. 2).

### Corporate Organization

Client services are administered within P.H.A.S.E., Inc. through two Program Directors, one for Substance Abuse Treatment and one for W.A.V.E., who report directly to the Executive Director of the Agency. Both program units provide individual, group, and family counseling services.

An emergency shelter for battered women and their children is located on the near west side of Rockford, Illinois. The Substance Abuse Treatment program is located in Rockford. A satellite, part-time counseling office for both programs is located in Belvidere, Illinois. The P.H.A.S.E., Inc. organizational chart in appendix 1 clearly presents this structure.

#### Licensure Distinctions

One area of great distinction between the Substance Abuse Treatment program and the Working Against Violent Environment program is that of licensure. Primarily due to the longevity of formalized substance abuse treatment programs in Illinois as apposed to the longevity of formalized domestic violence programs, the treatment program is heavily licensed but the domestic violence program is not. The treatment program maintains licensure from the Illinois Department of Alcoholism and Substance Abuse to conduct outpatient adult and adolescent substance abuse treatment services. In addition, the substance abuse treatment program maintains special licensure to conduct Driver Remedial Education, Methadone detoxification and maintenance, and Quality of Care Certification which is necessary to the billing and collection of fees from the

Illinois Department of Public Aid for services rendered to their eligible clients. Accreditation by the Joint Commission on Accreditation of Healthcare Organizations has also been granted. Integral to obtaining and maintaining these licenses, is the Substance Abuse Treatment program's recruitment, hiring and retention of qualified employees. Therefore, due to licensing constraints, the S.A.T. program has more restrictive recruitment guidelines than does the W.A.V.E. program.

#### Funding Source Distinctions

Though serious attempts to equalize the employee compensations between the two programs have occurred within recent years, total equality has not been achieved due to variances in both funding sources and levels. The W.A.V.E. program has traditionally been funded through the Illinois Coalition Against Domestic Violence, the Illinois Department of Public Aid, the local United Way, and contributions. Other than fees charged to the domestic violence abuser who may be receiving outpatient treatment services, W.A.V.E. does not generate client fees. The S.A.T. program benefits from client fees, Illinois Department of Alcoholism and Substance Abuse grants, United Way funding, and third party payment of client fees. The

Management and General Division does not generate fees either from client payments or grants. This division is supported by allocations from both the S.A.T. program and the W.A.V.E. program.

#### Business Functions

The Substance Abuse Treatment program limits its business function to outpatient substance abuse counseling services to adolescents and adults. Some ancillary services, such as physical examinations by the medical director and mental health evaluations by the mental health consultant, are also conducted. The staff of the S.A.T. program primarily offer client services via group, individual or family counseling. Daily medication services are available Mondays through Saturdays within preestablished operating hours. Included in the direct service mandates of the S.A.T. program are requirements to offer 24 hour per day crisis intervention services, urinalysis monitoring and packaging, community education and intervention services, and case finding and tracking components.

The W.A.V.E. program's business functions are: residential sheltering of victims of domestic violence and their dependent children, on-site group and individual

counseling to victims of domestic violence and their dependent children who are residing at the shelter as well as to those who are not residents but request service, special group counseling and recreational therapy for the children of the domestic violence victims, legal advocacy services for those requesting aid in seeking orders of protection to prevent the abuser from contacting the victim, group and individual counseling of the abuser, 24 hour per day crisis intervention services, community education and intervention services, and case finding and tracking activities.

The administration division, Management and General, performs all bookkeeping, fee collection, client reception, budgets, grant and licensure maintenance, physical plant maintenance and resource allocation, purchasing, and support services, such as typing, functions. This division does not perform any direct client oriented services nor does the division generate income.

#### Number of Employees

Corporately, P.H.A.S.E., Inc. employees 33 employees, 27 full time, at least 37.5 hours per week, and six part-time, less than 37.5 hours per week. Generally, the organizations which fund the corporation calculate the



number of employees on a full-time equivalent (F.T.E.) basis. In other words, a full-time employee may be funded by one program as .50 F.T.E. and by another funding source as a .50 F.T.E., thus a 1.00 F.T.E. across programs. Based on calculations of full-time equivalent employees, P.H.A.S.E., Inc. employs 29.65 F.T.E. employees.

The Management and General division employs a total of five employees, four full-time and one part-time. The F.T.E. employees of the Management and General division total 4.75. However, the Management and General division also contractually employs one part-time person for building maintenance who is not included in these figures. The four full-time employees are salaried, the one part-time employee and the contractual employee are paid hourly. The Management and General division staffs its operations five days per week for one eight hour shift.

The Substance Abuse Treatment program employs a total of 14 employees, 13 full-time and one part-time. However, the F.T.E. employees of the Substance Abuse Treatment program total 13.10. Two contractual employees are not included in these totals. They are the part-time medical director and mental health consultant. The two contractual employees, one of the full-time employees and the part-time employee are paid hourly. The remaining employees of this division are salaried. The employees staff the Substance

Abuse Treatment program six days per week. The Saturday shift, the sixth day, is a three hour shift. Employees stagger their shifts so that the operation is staffed from 8:00 a.m. to 8:30 p.m. Mondays through Thursdays and 8:00 a.m. to 6:00 p.m. on Fridays. Through the use of staggered shifts, no one group of employees is considered as a second shift employee.

The W.A.V.E. program employs ten full-time and four part-time employees for a total of 14 employees. The F.T.E. employees in the W.A.V.E. program equals 11.8. The W.A.V.E. program currently employs no contractual consultants. Of the ten full-time employees, five are salaried and 5 are paid hourly. The four part-time employees are paid hourly. The W.A.V.E. program, due to the residential component, is operated 24 hours per day, seven days per week. Employees are recruited for specific shifts: first, second or third.

#### Employee Age and Sex Demographics

The corporation's employees range in age from 20 years old to 67 years old with the majority in the 25 years to 34 years age group. The average employee age in the Substance Abuse Treatment program is 38 years with a mode of 45 years. For the W.A.V.E. program, that average is 36.5

years while the mode is 27 years. The Management and General employees are represented by an average age of 39.5 years but a mode of 44 years.

The W.A.V.E. program currently employs no males, all of the fourteen employees are female. Of the S.A.T. program employees, seven are male and nine are female. The Management and General division employs four females and two males. Therefore, males represent only 25% of the corporation's employees while the female employees total 75%.

#### Employees with Dependents

For the purpose of this section, dependents is to mean a spouse or minor child eligible for health benefit coverage on the employee's health insurance plan. Of the five full and part-time employees in the Management and General division, three have dependents. The Substance Abuse Treatment program employees eight employees with dependents and six without dependents. The W.A.V.E. program reports that 10 of the employees have dependents while 4 do not.

### Educational Achievements

The formal educational achievements of the employees were categorized into the following segments: less than 12 years of formal education, 12 years of formal education or a general education diploma, one to 63 semester hours of undergraduate study, an associate's degree, more than 63 semester hours of undergraduate study but no degree, a bachelor's degree, a bachelor's degree plus some graduate study, a graduate degree, a graduate degree plus some post graduate credits, and a post graduate degree. The Management and General division has one employee with a graduate degree, one with 12 years of formal education and three with one to 63 semester hours of undergraduate study. The Substance Abuse Treatment program has five employees with one to 63 semester hours of undergraduate study, three with more than 63 hours of undergraduate study but no degree, two with a bachelor's degree, two with a bachelor's degree plus some graduate study, and two with graduate degrees plus some post graduate credits. The W.A.V.E. staff is represented by six employees who have 12 years of formal education or a general education diploma, four with one to 63 hours of undergraduate study, two with an associate's degree, and two with bachelor's degrees.

### Credentialling

Only the staff of the S.A.T. program are required to seek and maintain credentialling from one of the two addiction counselor certification boards in Illinois. However, the two registered nurses and the records clerk, though employees of that program, are exempt from participating in this process. Therefore, of the remaining 11 employees in the S.A.T. program, seven are certified addiction counselors while four have yet to complete the credentialling process.

Though employees from the W.A.V.E program, the Management and General division, and the S.A.T. program exempt employees do not obtain certification, they are still required to possess specified minimum qualifications and participate in both in-agency and out-of-agency continuing training sessions. Those employees who are certified addiction counselors are also required both by the agency and their certification boards to participate in continuing training sessions.

### Employee Benefits

The P.H.A.S.E., Inc. board of directors offers the following benefits to the corporation's full-time

employees: a retirement annuity plan, 11 paid predetermined holidays with pay, three days maximum bereavement leave with pay, vacation leave with pay, personal leave with pay, group dental and health insurance, life insurance, disability insurance, both on-site and off-site continuing education sessions selected by the employees' supervisor, and free parking. Part-time employees are eligible for prorated vacation pay, free parking and continuing education sessions but no other benefits listed above.

Vacation time off with pay is generally accumulated at a rate of 10/12 days per month for the first seven years of employment. During the eighth year of employment, vacation time off with pay is accumulated at a rate of 15/12 days per month. The directors of the three divisions accumulate vacation time off with pay at a rate of 15/12 days per month from the onset of employment. Dependent upon the employment contract start date, some part-time employees earn annual vacation in proportion to the average weekly earnings for the last six months of the proceeding year.

In addition to vacation time, all full-time employees completing the three month probationary period accumulate personal days at the rate of one-half day per month. These personal days may be used for any personal reason but also constitute paid time off for illnesses or paid sick leave.

The retirement annuity plan is available to full-time employees who have completed one year of continuous service. This benefit is an option which the employee may accept or reject for participation. Under the plan, the corporation contributes seven percent of the employee's gross salary. The employee must contribute a three percent match of the first \$4,800.00 and a six percent match on the portion of salary which exceeds \$4,800.00. The employee retains an option to contribute a maximum of 13 percent of the employee's total annual compensation. At this time the contributions are tax sheltered or not taxed until withdrawal. Though there may exist a penalty for early withdrawal, the employee may withdraw both the employee's share and the corporations contributions at any time.

Though the cost of training and continuing education for employees is not small, this benefit is rarely touted as such because the employee has little input into the training session offerings and participation. The corporation does not provide funding to employees who seek to obtain undergraduate or graduate credits. Training sessions funded by the corporation are highly specific to the employee's continuing education needs. Generally, each clinical staff member attains 30 clock hours of continuing education per year at the expense of the corporation. Annually, a staff training and development plan details the

needs of the employees and the corporation's attempt to meet those needs. The employee's participation in the training benefit is mandatory by reason of licensure and accrediting bodies. The clinical staff of the S.A.T. program are required by their credentialling boards to obtain a minimum amount of continuing education each year.

The provision of group medical, dental, life and disability benefits by the corporation to the employee is permitted after the first full one month of employment for full-time employees. Historically, the corporation has contributed the full cost of these benefits to the employee's benefit package. Dependent group health and dental insurance was offered to employees at a reduced rate within the group plan.

The cost of the 11 predetermined holidays with pay, vacation pay, the three days maximum bereavement leave with pay, mandated training sessions and the free parking benefit are fully assumed by the agency with no participant cost. Of these, only accrued vacation pay, training, and free parking are listed as costs to the agency in their audits. Though predetermined holidays with pay, and bereavement leave with pay are costs the the agency, no records are maintained which attribute values to those benefits.



### Participation in Benefits

For ease of reading the following section, the reader should refer to Appendix B through J. Therein will be found charts detailing the employees' participation in benefits.

Of the nine employees of the S.A.T. program who are eligible by reason of having completed one continuous year of service to participate in the retirement annuity plan, three employees are currently enrolled in the plan. The W.A.V.E. program currently enrolls one employee of the four eligible employees in the retirement annuity plan. Three of the five eligible employees in the Management and General division are currently enrolled in the retirement annuity plan. Corporation wide, only seven of 16 eligible employees are enrolled in the retirement annuity plan at this time. This represents only 43.75% of the eligible employees and 21.12% of all employees.

All of the employees who are eligible by reason of employment classification to earn compensation granted for paid holidays, paid vacation time off, paid personal days off, paid bereavement leave, and the benefit of free parking, continuing education and paid life and disability insurance participate in those benefit programs. However, due to employment classifications of full-time and

part-time benefits, only 27 of 33 of the corporations employees qualify for these benefits. As the Management and General division and S.A.T. program retain only one part-time employee each, those are the programs most strongly represented as participating in these benefits. The W.A.V.E. program participation in these programs is only 71% due to the higher number of part-time employees.

A higher number of employees fail to participate in the group health and dental plan than in most of the other benefit options. Within the S.A.T. program, 13 of the 14 employees are eligible for this benefit. All 13 are enrolled. The W.A.V.E. program shows less participation as 10 of 14 employees are eligible; yet only nine participate in this option. Of the five employees in the Management and General division, four are eligible for group health and dental benefits. All four of those eligible employees participate. While 82% of the corporation's employees are eligible by reason of job classification to enroll in the group health and dental plan, 96% of those eligible and 79% of the total employees of the corporation participate.

Much weaker employee participation is seen in the dependent group health and dental insurance coverage. This option is made available to employees who are enrolled in the group health and dental coverage and desire to insure their dependents in the same policy. Of the four employees

eligible by reason of full-time employment status in the Management and General division three have eligible dependents. Yet, none have selected the dependent group health and dental insurance coverage option. Within the S.A.T. program, all 13 full-time employees are enrolled in the health and dental insurance plan. Five of the eight full-time employees with dependents have secured coverage through the group health and dental plan for their dependents. With ten full-time employees, the W.A.V.E. program enrolls nine employees in the health and dental insurance coverage. While eight of the nine enrolled employees have eligible dependents, only one has selected to cover the eligible dependents with the corporation's group health and dental plan.

Of the total 33 corporation employees, 27 are employed full-time. Twenty-six of the 27 eligible employees are enrolled in the group health and dental plan provided by the corporation. Employees with eligible dependents represent 19 of the 26 enrolled employees. However, of the 19 enrolled employees who claim eligible dependents, only six employees insure their eligible dependents on the plan provided by the corporation. Thus, 32% of those eligible participate in this benefit option.

### Benefits Preferred by Employees

Early in 1989, the employees were brought together to discuss options being considered to reduce the corporation's cost of the group health and dental insurance benefit. Cost reductions were being sought by the corporation because of an increase in the group insurance rates passed onto the corporation by the insurer. It was a result of these discussions that the corporation opted to maintain the current level of group health and dental insurance, increase the employee cost of participation to \$6.00 per month from a previous level of no cost to the employee, increase the employee contribution toward participation in dependent coverage, and increase the co-payment on pharmacy items.

Subsequent informal employee discussions of desired and needed benefits were also a result of this meeting. As expected, most employees would prefer to maintain the current level of benefits at no additional cost. That is not a considered option in light of the corporation's budget. Some employees stated that dependent coverage, dental insurance and bereavement leave are options that would best be reduced or eliminated rather than increase the employee's contribution to the benefit plan cost. Other employees preferred to eliminate retirement annuity

and group health and dental insurance coverage as these options directly reduce the employee's take-home compensation. Holidays, vacation, personal days, life and disability insurance, free parking and training were not discussed as options to eliminate in exchange for maintaining the remaining benefit levels. However, those benefits did not experience an increase in cost to the corporation nor does the employee contribute to the cost of those benefits.

The benefits receiving the most informal employee discussion were ones for which the employees felt there was limited access for participation. An employee with no dependents can not access the employer's share of the cost toward dependent benefits as that employee does not qualify for that coverage. An employee with dependents and limited financial resources may feel that access to dependent coverage is unavailable due to the reduction in take-home compensation that would result. The employee with limited financial resources or current financial commitments might opt not to participate in the retirement annuity plan because the plan requires a commitment of the employee's take-home compensation. The employees who do not drive to work could claim that the free parking option is unavailable to them. Finally, some employees reported dissatisfaction with the availability of bereavement leave

as they perceived it to be unnecessary and lacking in availability unless the employee experiences the death of a significant other.

Benefit plan options chosen by the individual employee from a preset package of available options was the common theme that resulted from the employee discussions. Employees were clearly stating a desire to make individual choices about their benefit plan participation and cost.

#### Benefits Preferred by the Corporation

As the corporation does not employ a human resource administrator, of prime concern to the corporation is the amount of staff time and effort required to maintain a benefits plan. Currently, the executive director, with consultation from the board of directors, selects the plan offerings, plans and allocates resources to support the plan and delegates the day-to-day management of the benefit plan to the bookkeeper.

The escalating cost of benefit plan options represents a major concern to the corporation. With the most recent benefit option cost increase, the health and dental insurance premium increase of 125%, the corporation was unwilling or unable to commit unlimited resources to the maintenance of the benefit plan. In this instance, the

corporation opted to assume a 16% employer contribution increase, reduce benefits, and pass on part of the cost increase to the employee.

Due to time constraints and the possibility of interrupted insurance coverage for the employees, the corporation did not seek out bids from other insurance companies. The corporation did consider the feasibility of a flexible benefits plan but also recognized that formulation of such a plan required a great deal of time and expertise, neither of which the corporation possessed.

The corporation's executive director and board of directors were making a clear statement that a limit existed to the amount of resources, both human and financial, the corporation was presently willing to commit to employee benefit plans. Furthermore, the board of directors, through the executive director, felt that the corporation has a certain amount of parental obligation to the health of the employees.

So clear in this regard were the board of directors that they included the following statement in the corporate personnel policies, P.H.A.S.E., Inc. Personnel Policies 1986 (1986),:

"It is the belief of the Agency that a feeling of physical well-being is critical to the provision of quality social services. It is anticipated that individual employees will be individually responsible for the maintenance of their own physical/emotional health through the use of private physicians or helping professionals, as appropriate." (p. 21).

If a flexible benefits package were to be considered, there would be certain benefits that the board would consider mandatory due to parental nature of the benefits.

#### Corporate Attributes which Attract and Retain Employees

Based upon interviews with current and prospective employees conducted by the two program directors and the executive director; attractive benefit plans, job autonomy, training, job experience opportunities, and continuing education benefits represent the most often reported attributes of the corporation which attract and retain employees. Any future limitation of these attributes may consequently limit the corporation's ability to retain and attract qualified employees unless equally attractive compensation increases are forthcoming.

As a relatively small, not-for-profit social service corporation, the agency's management team is seen by employees as very interactive, concerned, and parental; yet, allowing a high degree of job autonomy. One example of these attributes was seen when the management team held discussions with employees about the pending group health and dental benefit changes.



### Corporate Finances

The fiscal year 1990 budget, July 1, 1989 through June 30, 1990, allows for employee compensations totalling \$502,608.00. Not included in the compensation portion of the budget are the related employee benefit costs of \$94,637.00. Within the employee benefit costs budget, workmans' compensation insurance payments, the employer's share of F.I.C.A., and unemployment compensation premiums represent benefits to the employee granted by the corporation. As these are not costs that are considered optional by the corporation, to exclude them from benefit cost consideration is advisable if examining employee benefit options. The fiscal year 1990 budgeted cost of these benefits represents 48% of the benefits budget or \$44,437.00. The employer's share of the retirement annuity plan and of group dental and health insurance, and the full cost of life and disability insurance, as well as, the free parking expense are the remaining costs in the benefits budget totaling \$50,200.00 or 52% of the benefits budget.

The corporation does not budget for costs incurred by the employee's use of vacation, personal, holiday, or bereavement leaves. Therefore, cost analysis of these benefits is not available.

The cost of training or continuing education benefits averages approximately \$6,000.00 per year for the three

divisions. This cost is not included in the budget as a benefit cost. As some training and continuing education opportunities are mandatory, they also should not be considered in examining employee benefit options.

The corporation's fiscal year 1989 pre-audit report shows a before audit surplus of slightly less than 9%, excluding depreciation costs. For this not-for-profit corporation, a 9% pre-audit surplus, excluding depreciation costs, represents financial success in excess of that which was planned.

In early 1989 when the corporation experienced the increased cost in group health and dental premiums, the coverage limits were changed and the cost increase was shared with the employee in order to limit the expense increase to the corporation. At the time of this change, the budget for the group health and dental coverage was changed to \$27,759.00. The annual cost of the life and disability insurance coverage remained at \$4,008.00. The retirement annuity plan cost for fiscal year 1989 was \$8,657.00. The cost of these three options is projected to increase by approximately 16% for fiscal year 1990. The cost of providing free parking to employees is projected to remain stable at the fiscal year 1989 cost of \$2,060.00.

When the group health and dental benefit costs increased, the employer's contribution toward maintenance

of this coverage increased from \$82.41 per employee, per month to \$94.65 per employee per month. The employee's contribution to this benefit increased from no contribution required to a \$6.00 per employee per month contribution. The employer's share of employee's dependent group health and dental benefits costs also rose from \$160.42 per covered employee per month to \$182.66 per covered employee per month. The employee's contribution for dependent group health and dental benefits increased from \$78.00 per employee per month to \$106.54 per employee per month. The corporation estimated a \$390.24 monthly cost increase due to the group health and dental insurance changes based on an estimated 26 employees participating in the plan.

### SECTION III

#### Identification of the Problem

As a not-for-profit corporation, the division directors would agree that the wages paid to employees are lower than the industry norm as they perceive it. Traditionally, the corporation has utilized a generous benefits package to lure prospective employees and retain valued employees. However, in light of recent benefits cost increases experienced by the corporation, the corporation has chosen to increase the employees' contribution toward maintenance of a similar, yet less comprehensive, benefits package. By accepting this decision, the corporation also chose to limit the employer's contribution to employee benefits. Though the corporation accepted a portion of the cost increase, reductions in benefits and increased employee contribution toward benefits were the changes most noticeable to the employees. The employees have been less than pleased with this change as it, in effect, reduces their take home income and decreases the available benefit levels.

Without significant income increases, the corporation is not considering unilateral employee

compensation increases. Much of the corporation's income results from grants and funders such as United Way. The majority of the funding sources or grants control both employee compensation and benefit costs by establishing maximum allowable ranges. Funders limit benefit costs to approximately 20% while the corporation has traditionally expended 17% to 21% with an average of 19.5% for benefit costs. Should the corporation choose to significantly alter those ranges, the income to support such would, due to grant and funder limitations, further decrease the corporation's operating surpluses.

Widespread employee dissatisfaction resulting from the current benefits plan, the corporation's unwillingness or inability to increase employees' compensations and the corporation's current stance of limiting the employer's investment in employee benefits exemplify the current situation. In order to strategically plan for the future, the corporate leaders must ask how can Personal Health/Abuse Service and Education, Inc. lure prospective employee and retain valued employees. Though altering the benefits package or employees' contribution to that benefit is one option to be considered, the corporate attributes which the employees find most attractive may also hold the solution.

## SECTION IV

### Analysis of the Problem

The current problem under investigation is attracting and retaining qualified employees. Therefore, a more in-depth investigation was conducted by this author who conducted interviews with four employees asking specifically why they chose to or continue to work for P.H.A.S.E., Inc.. The employees were unanimous in responding that they do not continue their current employment because of the compensation they receive. Though, two did indicate that they would be unable to continue employment with P.H.A.S.E., Inc. and still be self supporting if the employment compensation were less. Only one of the employees interviewed indicated that the benefits continue to be a factor influencing their continued employment, though at least half of the employees indicated that benefits were an attractive consideration upon seeking employment. The two key factors that employees reported as influencing their decision to accept employment or retain employment with P.H.A.S.E., Inc. were the sense of autonomy they have in their jobs and the training that they receive as

employees. Those rating training and experience received as most important tended to be newer employees while the more seasoned employees rated their job autonomy as most important.

P.H.A.S.E., Inc. employees terminating their employment with the corporation attend exit interviews with their supervisors. The notations from exit interviews and the fiscal year 1989 annual personnel activity reports indicate that 7 of 15 employees left their employment with P.H.A.S.E., Inc. to accept positions of greater responsibility. While 6 of 21 employees accepted promotions within the organization. Those same employees entered employment with the corporation possessing little or no social service experience.

## SECTION V

### Description of Potential Solutions

To totally view the potential solutions to P.H.A.S.E., Inc.'s problem of attracting and retaining qualified employees, the author investigated all avenues of problem resolution. Some of these avenues include increasing employee compensation levels, increasing or maintaining current health and dental insurance benefits levels, offering flexible benefits plan, planning for more job autonomy, and increasing training offerings as a benefit. Other avenues might include beginning an employee training program so that unqualified employees are hired and constantly being trained to replace leaving employees, or offering more benefits which are not directly attributable to corporation costs such as personal days and bereavement leave.

#### Increase Employee Compensation Levels

Without across the board funding level increases, the corporate leaders do not see increasing employee compensation levels as a viable option. The vast



majority of the annual budget is already allocated to personnel expenses. As the 1989 9% operating surplus has been allocated to physical plant remodeling and maintenance of an operating fund balance, there currently exists no excess in the operating budget which would allow a reduction in overhead costs to offset employee compensation increases.

Any recent employee compensation level increases have been the result of employee efficiencies or funder cost of living increases. The employee efficiencies resulted when counselors increased caseloads of clients or worked overtime covering for vacated employee positions. Further employee efficiencies of increased caseload or use of overtime hours could jeopardize quality of care. If the corporation chose to reduce quality of care standards and thus hard won national and state accreditation, the available market of clients would also be reduced. The loss of Joint Commission on Accreditation of Health Care Organizations or Medicaid accreditations would result in a loss of income. Medicaid or other third party payers only reimburse corporations who maintain high quality of care standards. Cost of living increases have traditionally not equalled current inflation rates. Further, the cost of living increases are not a direct result of increases in the cost of

living but rather result from increased budgetary allocations from the legislature.

#### Increase or Maintain Current Benefit Levels

As evidenced by the early 1989 decision of the board of directors to stem the cost increases of the health and dental insurance premiums, it appears unlikely that the board would authorize substantial additional expenditures for those benefits. However, it is equally evident that the board does desire that the corporation continue to expend funds that maintain a minimum level of health and dental insurance. This would remain consistent with their previously stated policy of concern for employee well-being.

Solely maintaining current benefit levels would not solve the stated problem. However, maintenance of current benefit levels should still be considered a potential resolution that may be enacted adjunct to the remaining options.

#### Initiate a Flexible Benefit Plan

Initiating a flexible benefit plan, at first glance, seems to be a viable potential solution. Interviewed

employees indicated that benefit plans are a feature that attracts them to employment at P.H.A.S.E., Inc.. Not only would this aid the corporation in attracting and retaining qualified employees, it would also encompass another feature that the employees find attractive, autonomy. Specifically, this would give individual employees choices to design the benefit plan which best suits their individual needs. Further, employees could individually decide the amount of take-home compensation that they are willing to exchange for increased benefits.

A properly designed flexible benefit plan could also encompass many of the other potential solutions being examined. By reducing benefit levels, individual employees could increase their take-home compensation. Other employees may opt to increase or maintain current health and dental insurance benefit levels. Still others may opt to reduce some benefits to allow them access to more training sessions at the expense of the corporation. This could be expanded further to include reimbursement for graduate or undergraduate tuition which is currently not an expense paid by the corporation. An intern or employee training program could become part of the flexible benefit package. The intern or employee in training might opt to reduce compensation in exchange for the valuable on the job training received. The benefits

that are not currently attributable to a cost such as personal days and bereavement leave could also become a part of the flexible plan.

Though the implementation of a flexible benefit plan may seem like the most appropriate solution to recommend, it alone may not solve the problem of attracting and retaining qualified employees. The enactment of a flexible benefit plan does not fully address the job satisfiers found to be important to employees, autonomy and training.

Additionally, a flexible benefit plan may not be acceptable to the board of directors. A fully flexible benefit plan may not allow an employee to cancel health insurance coverage in lieu of more paid time off. It is very clear to this author that the board of directors practices a paternal role with regard to employees' health and the employees' ability to access health benefits.

A thorough flexible benefit plan is very costly to initiate. Most small corporations, such as P.H.A.S.E., Inc., opt to retain the services of a consultant in designing and implementing a flexible benefits plan. This is especially the case where the small corporation does not employ a personnel director. Flexible benefit plans are time intensive to initiate. Usually, interview

sessions with employees are held to ascertain the benefits most preferred by employees. Then each of the benefits must be given dollar values, even those not currently attributable to a benefit cost such as personal days and bereavement leave, so that the employees can barter benefit options. The board of directors must also be consulted. There are usually some benefits which the corporation mandates that employees access. Such would most likely be the case with the P.H.A.S.E., Inc. board of directors. Given their stance on employee well-being, the board would most likely mandate some level of health and dental insurance.

Once the flexible benefit plan is designed, the employees must be instructed about the package so that they can make informed choices. Ongoing benefits orientation of new employees must be built into the newly designed flexible benefits plan. Most small corporations require the ongoing services of the selected consultant to administer the day-to-day amendments that employees chose to make in their flexible benefit packages.

At this point, the consultant cost for designing and implementing a flexible benefit plan may be beyond the corporation's budget for benefit expenses. Not only will there be fixed start up cost for the cost accounting, design and implementation but there will also be ongoing

costs for the plan administration. Undoubtedly, offering more benefit options will also mean an increased overall cost for the various benefit options as many insurers base cost on the number of employees participating in the benefit.

Most importantly, a thorough flexible benefit plan must include an analysis of the current cost of benefits, as well as, cost associated with recruiting and retaining satisfied employees. These must then be viewed in relation to the implementation and ongoing costs attributable to the flexible benefit plan. It is only through this time and labor intensive process that a strategically sound decision can be made.

#### Offer More Job Autonomy

In order to consider offering more job autonomy as a tool to recruit and retain qualified employees, a thorough study of job satisfiers and dissatisfiers must first be conducted. Many more options would then become available such as job enrichment and quality of work life. However, given the size and administrative capabilities of the corporation, a study of this magnitude does not seem a most appropriate endeavor at this time.

Should the corporation chose to only exercise the option to increase job autonomy as the solution to recruiting and retaining qualified employees, a paid consultant would most likely be necessary to complete the detailed study. Here again, a cost benefit analysis must first be undertaken to determine if there is a cost benefit to the expenditures for such a consultant as apposed to the costs currently incurred for recruitment and retention procedures.

This is not to say that job autonomy can not be woven into some of the other options. The flexible benefit plan option allows employees much freedom of choice and thus job autonomy. Offering employees more freedom in the selection of training sessions could also increase job autonomy. As the cost of training sessions is not a cost attributable to benefits, this benefit could be enriched without increasing benefit costs. Though increased operations costs would result, the corporation would also benefit from the greater knowledge base enjoyed by the employees. More job autonomy could also result from increasing those other benefits which are currently not attributable to benefit costs such as personal days and bereavement leave.

### Offer More Employee Training Sessions

Though training costs are currently attributable to operating costs and not benefit costs, many employees consider training sessions to be a benefit. In fact, training was a benefit listed by newly hired employees as influential in their decision to accept employment with P.H.A.S.E., Inc.. Currently, training sessions are selected by the employee's supervisor based on the individual employee's training needs or individual job requirements that specify certain training needs. Current employees have indicated that more training is a desired benefit especially if the employee had more input into the training selection.

As the employee's supervisors currently administer the training benefits and as training costs are not attributable to benefit costs, small increases in the training budget may result in high levels of employee satisfaction. The employee's supervisors could continue to administer small training budget increases. However, the validity of this potential solution to solve the stated problem without ancillary solutions is impacted by the limited supervisory personnel. Should the training budget be rapidly increased by large amounts, this may be beyond the expertise of the supervisors to administer the



training session allocations in an equitable manner while still meeting individual employee and job classification needs.

While this potential solution would cause a necessary increase in the operations budget, it is important to note that when employees are absent from their assigned responsibilities to attend training, the corporation does not bring in temporary help to fill the void. Other employees assume the absent employee's duties until their return. The remaining employees, when assuming the duties of the absent employee, realize that the additional burden is of short duration and also that their coworkers will reciprocate for them. To assure that quality of care is not noticeably affected, the employee's supervisor regulates the frequency of training attendance.

Therefore, there is no additional cost to the corporation for temporary help. Unlike a manufacturing organization, little or no service delivery or production is reduced by the remaining employees assuming the duties of the absent employee.

#### Initiate an Employee Training or Intern Program

While the available employee compensation funds are not expected to increase beyond the customary cost of

living increases, it becomes increasingly more difficult to attract experienced employees. The usual respondents to P.H.A.S.E., Inc.'s advertisements for new employees are candidates with four or less years of undergraduate study but no social service experience. These candidates report that entering the social service field with no relative job experience is very difficult, at best.

While P.H.A.S.E., Inc. would be hard pressed to administer a training or intern program the size of a larger competitor, a much smaller scale operation of less than five trainees at any one time may be within the administrative capabilities of the organization. However, should many of the smaller not-for-profit social service organizations within the community band together and offer such a training or intern program, the administrative burden would be lessened. An organization such as United Way may be called upon to administrate the coordination between facilities rather than unduly burden one agency with this task.

The costs of this program could be minimal, only the compensation paid to the intern, provided that the United Way provided administration for the program. Training could be conducted on a volunteer basis by United Way member agency employees, thus reducing the time burden on any one agency. It is very likely that

United Way or another multi-agency network would accept this challenge. One multi-agency network, of which P.H.A.S.E., Inc. is a member, has already begun investigating such an option.

An employee training or intern program would allow P.H.A.S.E., Inc. to attract unqualified candidates and train them to meet the corporation's needs. However, this solves only one of the problems facing the corporation; that of attracting qualified employees. With current employee compensation levels, will P.H.A.S.E., Inc. be able to retain those employees trained in the intern program once training is complete? This must be addressed by other solutions.

#### Offer More Non-Direct Cost Benefits

As reviewed earlier, some of the benefits are not considered benefits for purpose of cost accounting. Vacation days are considered an accrued cost only at the time of the fiscal year end audit. At all other points, the days that employees have off for vacation are not given a dollar value so as to attribute them to benefit costs. This has historically been the case because, unlike a manufacturing concern, the employee who takes time off is not replaced with temporary help. Other

employees simply combine duties so that client services continue at the normal rate. Also unlike a manufacturing operation, a short period of absence by an employee does not slow the corporations primary function, client service. Though some limit on the number or classification of employees who may be absent at one time must occur to maintain standards of quality.

Predetermined holidays, personal days and bereavement leave are not associated with benefit cost at any point in the corporate accounting. They, along with training cost and parking cost are considered operation costs. Only group dental and health insurance, the retirement annuity plan, life and disability insurances are attributed to benefit costs.

Only through proper cost accounting of vacation days, personal days and predetermined holidays can a decision be reached to alter those benefits. To indiscriminately increase those benefits could cause a reduction in client services and thus a reduction in revenue. Therefore, a first step toward increasing these benefits must be attributing a value to the benefit and conducting a cost analysis to determine the point at which revenues would be adversely affected by the benefit increase. As this study would need to be done in order to initiate a flexible benefit plan, increasing these

benefits, not currently attributable to benefit costs, could occur in conjunction with a flexible benefit plan.

A slight increase in the benefits which are currently not attributable to benefit costs may be undertaken gradually without adversely affecting revenues. Without the in-depth study mentioned above, this would need to occur very gradually so that service output could be closely monitored to insure no decrease in service output which would reduce revenues.

## SECTION VI

### The Resolution

None of the potential solutions, standing alone, will solve P.H.A.S.E., Inc.'s problem of attracting and retaining qualified employees. However, a combination of selected potential solutions, in addition to long range strategic planning, has a strong potential of solving P.H.A.S.E.'s stated problem. Therefore, this writer recommends that P.H.A.S.E., Inc. begin the planning and implementation processes necessary to enact the following all inclusive solution.

#### Offer More Training Sessions

Within the next six to twelve months monies should be allocated to the training budget to allow for more training session expenditures. The current allocation of \$4000.00 for training is insufficient to meet the training needs and wants of 33 employees. The additional monies allocated to the training budget should be targeted to employee requests for further training and not targeted to supervisory mandated training. This

would then also encompass the potential solution of increasing job autonomy.

The offering of more training sessions must be instituted within limits. A starting point of approximately two one-day training sessions per employee should be considered. If the increase in training sessions were limitless, there would be no guarantee that all employees would not be at training at one time. Therefore, beginning with a two day training session cost increase, would allow for studies to be conducted to ascertain if the increased training time adversely affected service output and thus revenues.

At an average cost for training of \$40.00 per day, this would increase the existing training budget, part of the operations budget, by approximately one-third or \$2,100.00 annually. As the corporation annually expends an average of \$1,568.00 for advertisement costs to recruit employees, the training cost increase would appear to be an over expenditure of at least \$600.00. However, the advertisement costs, viewed alone, do not include the cost of interviewing and orienting new employees. Although expanded training offerings may address a partial solution, this option is not expected to eradicate all attrition and related costs.

### Offer More Non-Direct Cost Benefits

During the same time frame, planning should occur which would allow for instituting more personal time off with pay. As reviewed previously, personal time off with pay is not accounted for as a benefit but is viewed as a benefit by the employees. Also as earlier indicated, this planning must include gradual implementation to allow the monitoring of decreases in service output and thus revenues. By recommending the increase in personal time off with pay, this author also includes the potential solution of job autonomy. Predetermined holidays and bereavement leave are also benefits for which the cost is not directly attributable to benefit costs. However, predetermined holidays and bereavement leave do not allow for job autonomy or free selection of days off such as personal days allow.

### Initiate an Employee Training or Intern Program

Within twenty four months, P.H.A.S.E., Inc., on their own or in cooperation with other community not-for-profit social service providers, should initiate an employee training or intern program. It is this author's opinion that such a program would be most



effective if other social service providers were included in the process. However, should other social service providers choose not to participate, P.H.A.S.E., Inc. should undertake this solution for a few, less than five at a time, trainees.

This solution would allow P.H.A.S.E., Inc. to hire well educated candidates who possess no job experience. While in training or internship, the candidates would be compensated at a rate less than the usual entry level compensation. However, it is hoped that the trainees' experiences and successful completion of the training program will qualify them for full entry level positions as positions become available. Until such time as a position becomes available, the trainee or intern will fulfil necessary corporation support functions as a counselor aide. The corporation has traditionally utilized counselor aides to perform necessary support functions that do not require the expertise of a counselor. This results in less compensation costs.

Within the last 12 months, the corporation has hired four bachelor degreed counselor aides for these functions. Two of those four counselor aides have subsequently been promoted to full counseling positions.

### Initiate a Flexible Benefits Plan

Within twelve months, the executive director of P.H.A.S.E., Inc. and the board of director should begin discussions to plan for a flexible benefits plan. These discussions should begin by allocating resources, twelve months hence, toward the consultant fees to study the matter. During the time that planning for resources is occurring, contacts should also be made with other community based not-for-profit social service providers. The propose of these contacts would be to ascertain if other providers also wish to contract for this service. As in the case with P.H.A.S.E., Inc.'s current medical and dental insurer, a consortium of providers may be able to secure more favorable consultant and administration rates.

Due to the complexities, evaluation and analysis, of initiating a flexible benefit plan, the administrators of P.H.A.S.E., Inc. should not plan for a flexible benefit plan to be activated any sooner than 24 months hence. Meanwhile, they should be actively negotiating with their current medical and dental insurer to see that coverage continues uninterrupted until the flexible benefit plan start date. If less than a one year extension of the present policy is needed, it would be best to negotiate

that far in advance of any notification to the current insurer that other policies are being investigated. Many insurers choose not to extend policies on less than an annual basis. If the current insurer were aware that the corporation is considering current policy cancellation, it is likely that an extension would be granted.

#### Resolution Summary

Widespread employee dissatisfaction resulting from the current benefits plan, the corporation's unwillingness or inability to increase employee compensations and the corporation's current stance of limiting the employer's investment in employee benefits describe the current situation. This author believes that the combination of selected potential solutions, in addition to long range strategic planning for them, has a strong potential of solving P.H.A.S.E., Inc.'s problem of attracting and retaining qualified employees. The resolution encompasses the offering of more training sessions; yet, addresses the employee's need for autonomy in their selection. The resolution addresses both the needs of the corporation and the employee by recommending an increase in non-direct cost benefits. The recommendation includes long range planning toward

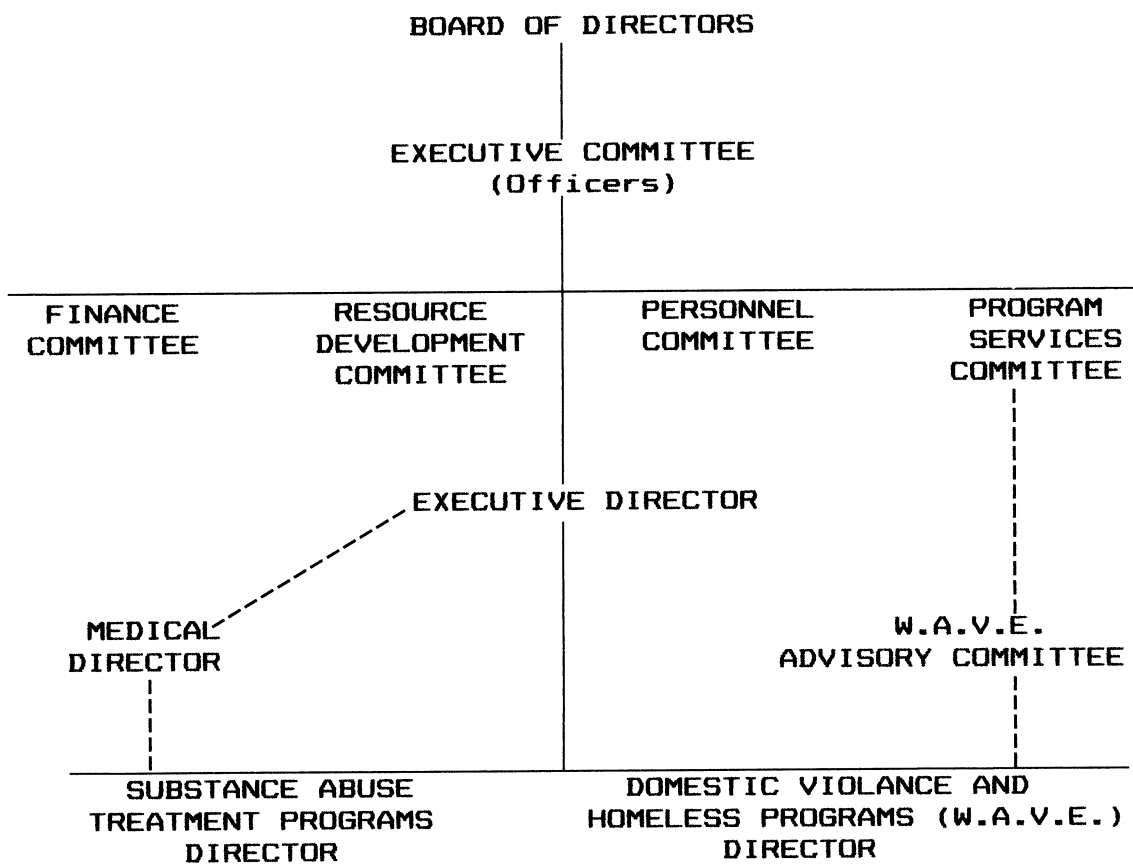
implementation of a flexible benefit plan which is seen by employees as highly autonomous. Finally, the resolution includes an employee training or intern program which will address the difficulty in attracting qualified employees.

The corporation currently follows no long range strategic plan. Corporate planning exists in one year increments only. Though some thought has been given to the composition of a five year plan, one has yet to be written. For the recommended solution to produce maximum corporate benefit, it should become part of the corporation's five year plan.

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## Appendix A

P.H.A.S.E., INC. ORGANIZATIONAL CHART - 1989 - 1990

## Appendix B

## NUMBER OF EMPLOYEES

	Full	Part	Total	F.T.E.	Consultant
S.A.T. Program	13	1	14	13.10	2
W.A.V.E Program	10	4	14	11.80	0
Management and General Division	4	1	5	4.75	1
Corporate Total	27	6	33	29.65	3

## Appendix C

## SALARIED AND HOURLY EMPLOYEES

	Salaried	Hourly	Total
S.A.T. Program	12	4	16
W.A.V.E. Program	5	9	14
Management and General Division	4	2	6
Corporate Total	21	15	36

## Appendix D

## EMPLOYEE AGES

	Average Age	Mode
S.A.T. Program	38 years	45 years
W.A.V.E. Program	36.5 years	27 years
Management and General Division	39.5 years	44 years
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Corporation Total	Ranges 20 years to 67 years	
Most Represented Range	25 years to 34 years	

## Appendix E

## EMPLOYEE SEX

	Males	Females	Total
S.A.T. Program	7	9	16
W.A.V.E. Program	0	14	14
Management and General Division	2	4	6
<hr/>			
Corporation Total	9	27	36



## Appendix F

## EMPLOYEES WITH DEPENDENTS\*

	No Dependents	Dependents	Total
S.A.T. Program	6	8	14
W.A.V.E. Program	4	10	14
Management and General Division	2	3	5
Corporate Total	33	12	21
*Does not include consultants			

## Appendix G

## EMPLOYEE EDUCATION\*

	Categories									
	A	B	C	D	E	F	G	H	I	J
S.A.T. Program	0	0	5	0	3	2	2	0	2	0
W.A.V.E. Program	0	6	4	2	0	2	0	0	0	0
Management and General Division	0	1	3	0	0	0	0	1	0	0
Corporation Total	0	7	12	2	3	4	2	1	2	0

## Categories

A = less than 12 years of formal education.

B = 12 years of formal education or a general education diploma.

C = one to 63 semester hours of undergraduate study

D = an associate's degree.

E = more than 63 semester hours of undergraduate study but no degree

F = a bachelor's degree.

G = a bachelor's degree plus some graduate study.

H = a graduate degree.

I = a graduate degree plus some post graduate credits.

J = a post graduate degree.

\*Does not include consultants

## Appendix H

## RETIREMENT BENEFIT PARTICIPATION

	Eligible	Enrolled	Not Enrolled
S.A.T. Program	9	3	6
W.A.V.E. Program	4	1	3
Management and General Division	3	3	0
Corporate Total	16	7	9

## Appendix I

## HEALTH AND DENTAL INSURANCE PARTICIPATION

	Eligible	Enrolled	Not Enrolled
S.A.T. Program	13	13	0
W.A.V.E. Program	10	9	1
Management and General Division	4	4	0
Corporate Total	27	26	1

## Appendix J

DEPENDENT COVERAGE  
HEALTH AND DENTAL INSURANCE PARTICIPATION

	Eligible	Enrolled	Not Enrolled
S.A.T. Program	8	5	3
W.A.V.E. Program	8	1	7
Management and General Division	3	0	3
Corporate Total	19	6	13